

Sifton
Properties
Limited

Annual Report 1975

Nature and Purpose of Sifton. Sifton is a growth oriented, permanent enterprise dedicated to perform in an ethical and equitable manner.

We, as a responsive and responsible citizen and to maintain internal and external confidence in us, shall:

1. Affirmatively discharge all of our obligations and responsibilities.
2. Set and maintain high quality and environmental standards.
3. Meet or exceed all required governmental regulations.
4. Make significant contribution to the community and industry with all of our resources.

Sifton is in the business of building and selling purchase and rental homes of the highest value for income groups determined to be of sufficient quantity to support efficient marketing and production systems. It shall also develop and sell to users peripheral land at appropriate times. The corporate environment shall provide for personal development, challenging sense of contribution and the safety and security of its employees. It shall have economic profits at a growth rate sufficient to aid in attracting new capital to achieve corporate objectives.

Financial Highlights

(in thousands of dollars)	1975	1974	% Change
Total Assets	\$94,354	\$82,267	+15
Income Producing Properties	48,512	38,018	+28
Shareholders' Equity	9,240	7,656	+21
Total Revenue	28,847	22,758	+27
Revenue From Housing and Land Sales	20,275	16,148	+26
Revenue From Income Producing Properties	8,572	6,610	+30
Earnings Before Extraordinary Item	2,072	1,508	+37
Net Earnings For The Year	1,722	1,508	+14
Earnings Per Share (in \$)			
Earnings Before Extraordinary Item	1.46	1.07	+36
Net Earnings For The Year	1.21	1.07	+13
Funds Provided From Operations	5,278	4,161	+27

List of Directors

Harry L. Sifton
Honourary Chairman of the Board
of the Company

W. Mowbray Sifton
Chairman of the Board
of the Company

Kenneth R. Good
President
of the Company

Ronald D. Bedard
Vice-President, Marketing & General Manager
of the Company

Harold F. Durkee
Vice-President, Administration & Finance
and Secretary-Treasurer of the Company

Ross M. Hanbury
Consultant

John W. Adams
Executive Vice-President and Treasurer
Emco Limited

Frank F. Wiley
President
S. C. Johnson and Son Limited

Auditors

Coopers & Lybrand
London, Ontario

Solicitors

Ivey & Dowler
London, Ontario

Fiscal Agents

Wood Gundy Limited
Toronto, Ontario

Registrar and Transfer Agent

The Royal Trust Company
Corporate Trust Department
Stock Section
P.O. Box 7500
Postal Station "A"
Toronto, Ontario M5W 1P9

Stock Listed

Toronto Stock Exchange

Head Office

P.O. Box 5099
Terminal "A"
London, Ontario N6A 4M8

To The Shareholders

The Company has experienced an excellent year in 1975 in growth, earnings and further development of the management team. On behalf of the Board of Directors, I am pleased to present this report for 1975.

Total revenue in 1975 increased to \$28,846,678 from \$22,757,602 in 1974, a 27% increase. Net earnings increased to \$1,721,517 in 1975, after a provision for loss on investment as an extraordinary item in the amount of \$350,000, from \$1,508,420 in 1974, a 14% increase after the loss provision. Earnings per share based on an average of 1,417,650 shares outstanding increased to \$1.21 from \$1.07 in 1974. Funds provided from operations increased to \$5,277,700 from \$4,160,927 or 27% over 1974. The increase in earnings is a result of greater activity in all areas of the Company including housing, land and income producing properties.

The Company has increased the income properties, with income property assets increasing from \$51,523,863 to \$59,638,810, an increase of \$8,114,947 in properties completed or under development. The Company will continue to add income properties to the portfolio especially commercial and office development, to further broaden the base of income producing properties. I will cover the new

plans and some concerns in new residential income properties later in this report.

The Company has continued to develop the management team with a great deal of emphasis on controls and maintenance programs. The Company acquired some additional properties in 1975 and has several projects under negotiation in all regional areas of the Company's operations. The Company will have their first rent review hearing in May 1976 and we believe the decisions will confirm the Real Estate Industry's belief that rent controls outside the major urban cities are not required now or in the future. The Company has 183 townhouse units under construction in Brantford and London.

The Company's joint venture in Florida, Arkton Corporation Limited, with Ronyx Corporation Limited has been a disappointment to both companies in 1975. The Company is nearing completion of the sale of assets and investment in this condominium project. Final details should be complete within the next few weeks and the Company has set up a provision of \$350,000 as an extraordinary item for the loss on this investment. The Florida market has improved tremendously during the latter part of 1975 and early 1976 as the American economy advances. The balance of the Twelve Oaks project will benefit by the overall economy upturn.

Simcoe-Nanticoke region had a set back in 1975 when Stelco announced the slowdown in their plans. Housing demand in the Simcoe area continues at a steady pace with the development of additional lots in Port Dover on schedule. Construction will start in the Port Dover area as soon as Stelco, Hydro and Texaco firm up their plant completion schedules. The joint venture will concentrate the housing types in cooperation with the Ontario Government's and Federal Government's O.H.A.P. and A.H.O.P. incentive programs, respectively.

The Company's subsidiary, Dynamo Servicing (London) Inc. with its equipment rental division, Higgs & Higgs, had a successful year and enters 1976



with a full work program. In 1975, Dynamo did several outside contracts as well as the Company's own land servicing and will continue to pursue outside contract work in the Southwestern Ontario region. Dynamo Servicing (London) Inc. and their employees made a substantial contribution to Sifton's success in 1975 and I am sure this effort will continue in 1976.

Preliminary plans and concept plans for Cedar Point on Lake Huron lands have received approval in principle by Bosanquet Township Council in early 1976. The Company plans to proceed with the detailed subdivision plan as well as the marine design on Shepherd's Marina, purchased in 1975, as part of the overall 225 acres planned as a leisure and recreational community. The plan has approximately 400 to 600 mixed type housing units, with a marina expansion, motel, restaurant, and strip shopping area. The development will take 4 to 10 years depending on demand and the overall Canadian economy. The Company has started preliminary plans for additional recreational facilities at the Lakewood Golf Club of St. Clair Beach, in Windsor, to provide more recreational activities as well as golf.

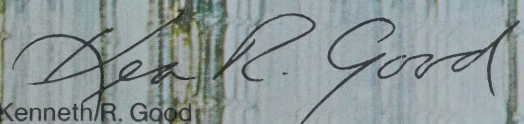
Land continues to be a strong asset of the Company with 400 acres in London and 194 acres in Sarnia-Corunna (Riverbend) under development. The Company will continue to work with all levels of government to speed up approvals of residential communities. Governments must find ways to bring land to the market faster and economically in order to keep the lot costs down. The Company continues to develop industrial commercial land in London, Corunna (Sarnia) and Brantford and currently has 150 acres of industrial commercial land in various stages of planning and development.

London, Corunna (Sarnia), Brantford, Guelph and Simcoe areas are the main thrust for the Company's housing sales. The single family home continues in strong demand in all areas with the courtyard and condominium home becoming increasingly popular. The condominium home can be offered in \$35,000-\$40,000 price range to qualify for the Government Incentive Programs. The Company plans to offer as large a price range of styles and houses to suit the young family, usually a first time buyer. Demand for all types of for sale housing will be strong provided one offers value, financing, and

location. The Company will start construction on their first single family homes in Hanlon Park (Guelph) where the demand has been very strong for home ownership.

This report would not be complete if I did not make comment on the Anti-Inflation Guidelines and the Ontario Rent Controls. No one can deny the destruction of inflation, but controls without clear cut monetary and fiscal policies, can be likened to building a house without a set of blueprints. Every Canadian is proud of his country and wants to eliminate the worst enemy the country has ever faced. The private and public sector of the economy has tremendous input value to legislators and politicians but complete disregard to this sector of the economy is paramount to totalitarianism. Private industry has a huge stake in Canada and wants the legislators, civil service and politicians to hear their side of the problem before quick, rash and most times unwise laws are made. The Company and the Real Estate Industry as a whole want to be good corporate citizens and proud of their country. The message to the politicians in 1976 should be Private Enterprise is "good, not bad", "creates employment, not unemployment", "pays taxes, not a welfare recipient". Give private enterprise a voice and all companies will respond. The time has come for all corporate citizens to stand up and be counted and tell the story like it is; we want to be proud of the democratic system and Canada. I urge all employees, shareholders, suppliers and associates to make their voices heard in 1976.

On behalf of the Directors, I want to express our sincere thanks to all the employees for their efforts in 1975. To our shareholders, customers and suppliers, many thanks for your support and trust during these crucial times.



Kenneth R. Good
President

London, Ontario
April 13, 1976

Summary of Income Producing Properties

Residential Townhouses

London

Berkshire Village	568
Berkshire Village (50% owned)	44
Westmount	305
Wonderland Gate	63
Guelph — Priory Park	329
Brantford — Brier Park	221
Total units	1,530

Residential Apartments — London

High rise	455
Low rise	187
Total units	642

Retail Commercial

London

Westmount Mall	252,000
Village stores	12,000
Guelph — Stone Road Mall	192,500
Total square feet	456,500

Office Commercial

London

227 Queens Ave.	32,500
Oakridge Office Centre	55,500
495 Richmond Street (50% owned)	68,900
Nor'West Education	16,600
Berkshire Club	17,900
Executive House	6,500
Professional Buildings	5,000
Brantford — Brier Park Club	4,150
Total square feet	207,050

Warehouse Commercial — London

765 Hyde Park	3,200
Nor'West Malls	43,700
First Street Warehouses	71,500
Total square feet	118,400

Leisure Recreation — Windsor

Lakewood Golf Club	18 holes & clubhouse
--------------------------	----------------------

Summary of Income Properties Under Development

London

South West One

94 one-floor town homes
Capitalized on April 1, 1976

Westmount Townhouses

103 units
Estimated capitalization — Summer '76

Westmount Office Commercial

40,000 square feet, office-retail
Estimated capitalization — Fall '76

First Street Commercial

12,000 square feet, office-retail
Estimated capitalization — Summer '76

Warehouse Commercial

19,000 square feet, planning stage
Estimated capitalization — Summer '76

Mac's Milk

2,000 square feet, planning stage
Estimated capitalization — Fall '76

Guelph

Stone Road Mall

210,000 square feet in Phase II
Estimated capitalization — Fall '77

Priory Park Townhouses

142 units
Estimated capitalization — Fall '76

Brantford

Brier Park Townhouses

72 units
Estimated capitalization — Spring '76

80 units

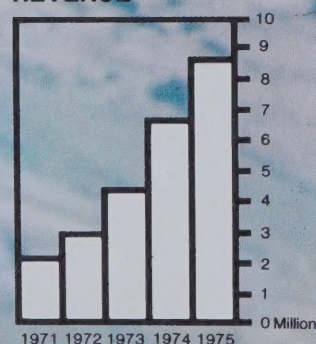
Estimated capitalization — Fall '76

Village Stores

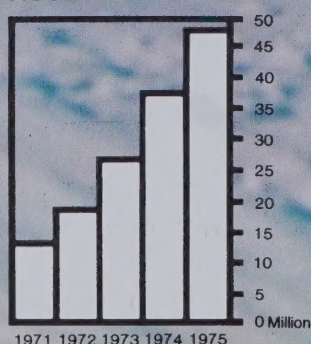
6,000 square feet
Estimated capitalization — Fall '76

Income Producing Properties

REVENUE



ASSETS





Income Producing Properties

During the year 1975, Sifton received 30% of its total revenue from income producing properties owned by the Company. These income producing properties included 2,172 residential units made up of 1,530 townhouses, 642 apartment units, 456,500 square feet of retail commercial, 207,050 office space and 118,400 square feet of industrial warehouse space. During the year, the first stage of Stone Road Mall was opened with all the retail space leased. The Company has entered into a lease agreement with Simpsons-Sears to lease approximately 120,000 square feet of space in Stage II of the Stone Road Mall. An additional 90,000 square feet of allied retail space will be constructed at the same time with planned opening of Stage II in the Fall of 1977. The Company completed several small office and commercial buildings during 1975 and purchased one commercial warehouse building, 525 First Street in London. A summary of the Company's income producing properties appears on page 4.

Construction delays caused by material and servicing shortages has delayed completion of some of the residential rental properties in Brantford and Guelph in the year 1975. These rental income properties will not show any positive results until late 1976.

Rent review and anti-inflation guidelines will have slowing effects on the growth of the Company's return on residential income properties during 1976 and 1977. This type of government action is questionable in the real estate industry and the additional paperwork and additional office work is counter-productive and definitely expensive.

The Company plans to increase the retail, office and commercial warehouse portfolio as opportunities become available in the areas of the Company's activity. The Company has optioned 13.2 acres of heavy industrial land on First Street in London (Coleman Meatpacking Company) and plans to develop retail-office-commercial space. Every effort will be made to expand our commercial space during 1976 and subsequent years with much less emphasis on residential rental, unless governments give the real estate industry a more clear picture of the future as well as some more stability in the mortgage money market.

Land Development

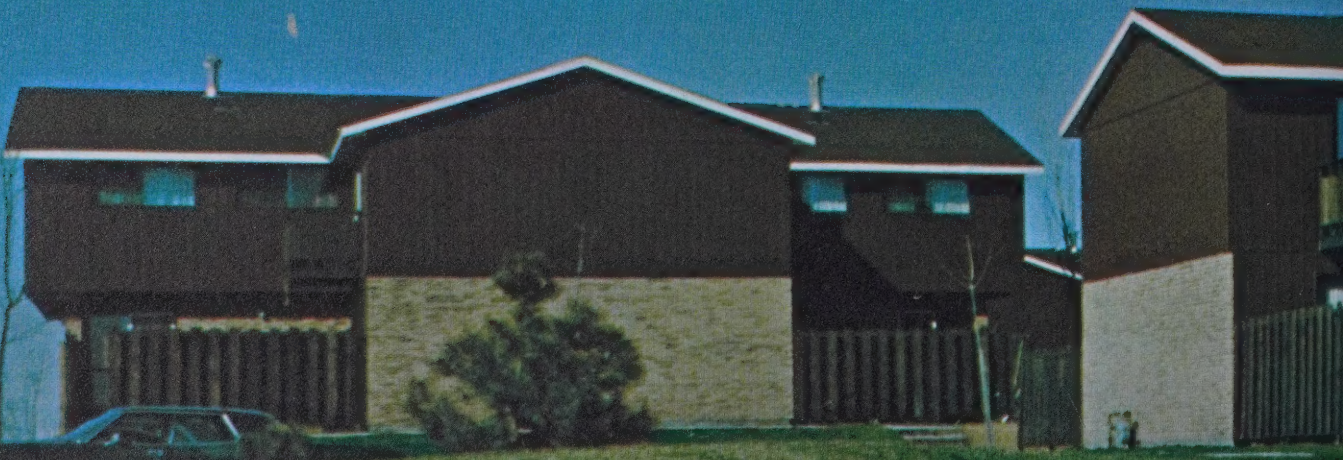
The Company sold 180 lots to builders in London and the Sarnia (Corunna) areas. During 1975 the Company registered Westmount Phase V, an area of 154.9 acres with 640 units of single family and multi-residential type housing. The first homes were started in August of 1975. The Company plans to register 153.7 acres in Whitehills IV with 600-700 units of single family and multi-family housing in late Spring 1976. Stage I of Riverbend (Corunna), 194.4 acres, with approximately 1,100 units of single family and multi-family housing as well as 35 acres for a commercial shopping centre complex, should be registered by mid Summer 1976. Oakridge Park with 91.22 acres and approximately 1,000 units of single family and multi-family housing should be registered by mid Summer 1976.

Dynamo Servicing (London) Inc. and their equipment rental division, Higgs & Higgs, had a busy year servicing

the Company's land requirements as well as doing several outside contracts for municipalities and other land developers. Dynamo plans to build a new building to house both operations in one location for more efficient operations and better control. Dynamo has a full order book for 1976 and should make a substantial contribution again in 1976.

The Company has presented preliminary plans for a residential and recreational community including an existing marina at Cedar Point (Forest) on Lake Huron. The Company has 225 acres with plans for 400-600 single family and multi-family housing units. The first lots should be available in late 1976.

The Company controls 2,958 acres of land in various stages for future development in Windsor, Lake Huron, Brantford, Guelph, Sarnia (Corunna) and London.



Single Family Homes

During 1975 the Company and its joint venture in Simcoe, sold and delivered 180 single family homes in London, Sarnia (Corunna), Simcoe and Brantford. All areas have been active during 1975 with many changes in the product line being implemented in 1975 to better service the \$35,000-\$60,000 price range. Houses were started in Brantford in late 1975 and initial plans for 40-50 homes are underway in the Guelph (Hanlon Park) area.

Sarnia (Corunna) had a strong demand in 1975 and the Company looks for an additional contribution from this area in 1976. Stage I of the Riverbend Corunna community should be registered in late 1976 and the Company will be able to offer a more complete range of products in order to appeal to a wider group of middle income buyers. The single family market in all areas will be strong in 1976.

Condominiums

The Company sold and delivered 109 condominiums in London and Guelph in 1975 with good customer acceptance for this product line. Condominiums offer an alternative life style for purchasers in the \$23,000 to \$45,000 price range. Government programs are tailored to this product line and the Company plans to start 103 units in Whitehills and 30-40 units in Brantford (Brier Park) under the Assisted Home Ownership Plan in 1976.

Condominium conversion sales were strong in 1975 with 61 townhouse units renovated and delivered. The Company has 50 units under conversion at the present and these sales should be realized in 1976. The Company plans to maintain this conversion program in order to provide housing to middle to low income earning purchasers as the product is being sold in the \$29,000-\$34,000 price range.

Condominiums continue to be a most satisfactory and acceptable form of home ownership as well as offering a completely new life style to the young and older purchasers who want the exteriors, snow removal and grass-cutting, maintained as a common area expense. Your Company plans to provide a share of this type of for sale housing.



Construction and Building Materials

The Commercial Construction Division completed 268 townhouse units, 94 town home units, 192,500 square feet including 11,000 square feet of office space in the Stone Road Mall, 17,850 square feet of office as well as 20,000 square feet of warehouse commercial under a contract price for Westburne Industries. They have started 103 townhouses in London and 85 townhouses under a contract price in Guelph. They plan to start the Westmount Square office retail centre with 40,000 square feet as well as 12,000 square feet of offices at the Coleman site, and two small Mac's Milk Stores in London and Brantford. Stage II allied retail of the Stone Road Mall will be started in mid 1976 for completion in the Fall of 1977.

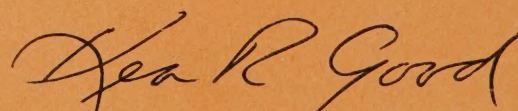
Your Company's joint venture in the building and supply business has been progressing slowly and the Company looks for improved operating results in 1976. The truss company operation, Altec Buildings Limited, has shown an improvement in 1975 and the Company expects much improved results from this component manufacturing company in 1976. Plans to add additional product lines to this operation are under active planning.

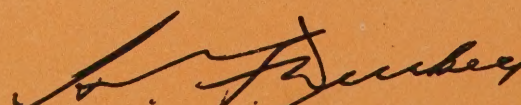
Sifton Properties Limited and Subsidiary Companies

Consolidated Balance Sheet as at December 31, 1975

Assets	1975	1974
Cash	\$ 1,006,954	\$ —
Accounts and notes receivable.	2,163,464	1,657,069
Mortgages receivable, at cost (note 2)	971,898	118,926
Income taxes recoverable	—	310,934
Housing and land under development (note 3)	15,944,803	13,668,910
Land held for future development (note 4).	11,325,939	11,751,833
Income producing properties (note 5).	48,512,442	38,017,595
Income properties under development (note 6).	11,126,368	13,506,268
Investments (note 7).	1,710,595	1,641,503
Operating equipment (note 8).	1,216,072	1,188,959
Prepaid expenses and other assets	375,756	405,328
	<u>\$ 94,354,291</u>	<u>\$ 82,267,325</u>

Signed on Behalf of the Board


Kenneth R. Good
Director


Harold F. Durkee
Director

Liabilities	1975	1974
Bank advances (note 9)	\$ 6,868,675	\$ 4,787,491
Accounts payable.	4,292,712	4,858,923
Sales and rental deposits	1,147,320	421,346
Income taxes	431,295	—
Estimated liability to complete land under development (note 10)	4,777,389	3,849,161
Mortgage advances on housing and land under development	3,104,471	4,872,530
Mortgages on land held for future development (note 11)	5,574,973	6,395,381
Mortgages on income producing properties (note 11)	42,616,057	36,792,402
Mortgage advances on income properties under development (note 11)	8,572,464	6,770,723
Finance contracts payable on operating equipment	350,041	550,871
Deferred income taxes	7,378,853	5,312,853
	<u>85,114,250</u>	<u>74,611,681</u>
Shareholders' Equity		
Capital stock (note 12)		
Authorized — 3,000,000 common shares without par value		
Issued and fully paid — 1,418,400 shares (1974 — 1,416,600)	1,937,540	1,932,820
Retained earnings	7,302,501	5,722,824
	<u>9,240,041</u>	<u>7,655,644</u>
	<u>\$ 94,354,291</u>	<u>\$ 82,267,325</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Sifton Properties Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants
April 13, 1976

Consolidated Statement of Earnings for the year ended December 31, 1975

	1975	1974
Housing and Land Sales		
Gross revenue	<u>\$ 20,274,847</u>	<u>\$ 16,147,678</u>
Direct costs	<u>14,253,249</u>	<u>12,311,612</u>
Selling, general and administrative expenses (note 13)	<u>1,912,714</u>	<u>1,282,234</u>
Depreciation — operating equipment	<u>321,639</u>	<u>228,715</u>
	<u>16,487,602</u>	<u>13,822,561</u>
Contribution to earnings	<u>3,787,245</u>	<u>2,325,117</u>
Income Producing Properties		
Gross revenue	<u>8,571,831</u>	<u>6,609,924</u>
Property taxes, maintenance, administrative and other expenses	<u>3,158,114</u>	<u>2,345,751</u>
Mortgage interest (note 13)	<u>3,605,401</u>	<u>2,801,078</u>
Depreciation	<u>579,597</u>	<u>441,032</u>
	<u>7,343,112</u>	<u>5,587,861</u>
Contribution to earnings	<u>1,228,719</u>	<u>1,022,063</u>
	<u>5,015,964</u>	<u>3,347,180</u>
Share of Earnings (Losses) of 50% Owned Companies and Partly Owned Unincorporated Joint Ventures (note 7)	<u>(238,947)</u>	<u>37,240</u>
Earnings, Before Income Taxes and Extraordinary Item	<u>4,777,017</u>	<u>3,384,420</u>
Provision (recovery) for income taxes — current	<u>639,500</u>	<u>(144,000)</u>
— deferred	<u>2,066,000</u>	<u>2,020,000</u>
	<u>2,705,500</u>	<u>1,876,000</u>
Earnings, Before Extraordinary Item	<u>2,071,517</u>	<u>1,508,420</u>
Extraordinary Item		
Provision for loss on investment in shares and income debenture of 50% owned company (note 7)	<u>350,000</u>	<u>—</u>
Net Earnings for the Year	<u><u>\$ 1,721,517</u></u>	<u><u>\$ 1,508,420</u></u>
Earnings Per Share on Average Shares Outstanding (note 12)		
Earnings, Before Extraordinary Item	<u><u>\$ 1.46</u></u>	<u><u>\$ 1.07</u></u>
Net Earnings For The Year	<u><u>\$ 1.21</u></u>	<u><u>\$ 1.07</u></u>

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1975

	1975	1974
Funds Provided		
Net earnings for the year	\$ 1,721,517	\$ 1,508,420
Non-cash items included in the determination of net earnings — depreciation	901,236	669,747
— deferred income taxes	2,066,000	2,020,000
— share of (earnings) losses of 50% owned companies and partly owned unincorporated joint ventures	238,947	(37,240)
— provision for loss on investment in shares and income debenture	350,000	—
Funds provided from operations	5,277,700	4,160,927
Decrease in mortgages receivable	—	244,824
Decrease in income taxes recoverable	310,934	—
Decrease in prepaid expenses and other assets	29,572	—
Increase in accounts payable	—	2,002,183
Increase in sales and rental deposits	725,974	144,776
Increase in income taxes	431,295	—
Mortgage proceeds net of repayments	5,036,929	19,457,016
Increase in finance contracts payable on operating equipment	—	550,871
Proceeds from issue of capital stock	4,720	4,550
	<u>11,817,124</u>	<u>26,565,147</u>
Funds Used		
Increase in accounts and notes receivable	506,395	613,139
Increase in mortgages receivable	852,972	—
Increase in income taxes recoverable	—	310,934
Increase in land held for future development and housing and land under development net of estimated liability to complete	921,771	6,704,104
Additions to income properties and operating equipment	9,043,296	20,966,805
Increase in investments	658,039	925,012
Increase in prepaid expenses and other assets	—	277,283
Decrease in accounts payable	566,211	—
Decrease in income taxes	—	252,764
Decrease in finance contracts payable on operating equipment	200,830	—
Dividends paid	141,840	127,350
	<u>12,891,354</u>	<u>30,177,391</u>
Increase in Bank Advances Net of Cash	<u>\$ 1,074,230</u>	<u>\$ 3,612,244</u>

Consolidated Statement of Retained Earnings for the year ended December 31, 1975

	1975	1974
Balance — Beginning of Year	\$ 5,722,824	\$ 4,341,754
Net earnings for the year	1,721,517	1,508,420
	<u>7,444,341</u>	<u>5,850,174</u>
Dividends paid	141,840	127,350
Balance — End of Year	<u>\$ 7,302,501</u>	<u>\$ 5,722,824</u>

Notes to Consolidated Financial Statements for the year ended December 31, 1975

1. Accounting Policies

The Company's accounting policies and standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants in all material respects. A summary of accounting policies of particular significance is as follows:

Principles of Consolidation

The consolidated financial statements include:

- (i) The accounts of Sifton Properties Limited and all of its wholly owned subsidiaries.
- (ii) The Company's proportionate share of the earnings of its partly owned unincorporated joint ventures on an equity basis.
- (iii) The Company's proportionate share of the earnings (losses) of its 50% owned companies on an equity basis (note 7).

Income Recognition

- (i) House Sales. Revenue from the sale of a house is recorded at the time the purchaser takes legal ownership of the property.
- (ii) Condominium Sales. Revenue from the sale of a condominium is recorded at the time the purchaser pays the amount due on closing, is entitled to occupancy, and undertakes to assume a mortgage for the balance of the purchase price.
- (iii) Land Sales. Revenue from the sale of land is recorded on closing provided all material conditions have been fulfilled and a minimum of 15% of the sale price is received in cash. Lot sales are completed on a cash basis and block sales are completed on the basis of a minimum of 15% cash plus short-term mortgage. Land and development costs are pro-rated over the saleable acreage in relationship to its end use.

Housing and Land

- (i) Housing is recorded at cost, including materials, labour and direct overhead, resulting in a value not in excess of net realizable value.

- (ii) Land under development, being that portion of registered plans remaining in inventory, is recorded at total estimated cost, including carrying charges, resulting in a value not in excess of net realizable value.
- (iii) Land held for future development is recorded at cost plus applicable carrying charges resulting in a value not in excess of net realizable value.

Income Producing Properties

Income properties under development are transferred to income producing properties when the premises are 70% occupied or one year after substantial completion, whichever occurs first. The value of the premises transferred includes the costs of construction, carrying charges, leasing costs, an appropriate portion of general and administrative expenses less rental income received to the date of transfer. Subsequent to the transfer revenue from income producing properties is recorded as earned.

Depreciation and Amortization

- (i) Income Producing Properties
Depreciation on buildings is recorded on the sinking fund basis over the following terms:

High-rise residential	— 50 years
Low-rise residential, commercial and industrial	— 40 years

The sinking fund method provides a depreciation charge to income of an amount which increases at the rate of 5% compounded annually. This charge is sufficient to depreciate the buildings over their estimated useful lives.

- (ii) Property and Equipment, Other Than Buildings
Depreciation on property and equipment, other than buildings, is recorded at appropriate rates over the estimated useful lives of the assets.

Deferred Income Taxes

The Company follows the practice of deferring income taxes which would otherwise be payable by claiming for income tax purposes capital cost and other allowances in excess of amounts recorded in the accounts.

2. Mortgages Receivable

The current principal portion of the mortgages receivable amounts to \$423,350 (1974 — \$64,026).

3. Housing And Land Under Development

Housing and land under development consist of:

	1975	1974
Housing	\$ 4,954,318	\$ 5,052,972
Land	10,990,485	8,615,938
	<u>\$ 15,944,803</u>	<u>\$ 13,668,910</u>

4. Land Held For Future Development

Carrying charges, development costs and option costs added during the year to the value of land held for future development are as follows:

	1975	1974
Development costs	\$ 131,576	\$ 495,051
Interest	417,343	305,245
Real estate taxes	18,264	17,239
Rental income	(63,860)	(43,176)
Option deposits	—	100,600
	<u>\$ 503,323</u>	<u>\$ 874,959</u>

5. Income Producing Properties

The cost of income producing properties and related accumulated depreciation consists of:

	1975		1974	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 4,936,768	\$ —	\$ 4,936,768	\$ 4,525,209
Buildings	44,129,058	1,319,706	42,809,352	32,889,488
Equipment	1,487,066	720,744	766,322	602,898
	<u>\$ 50,552,892</u>	<u>\$ 2,040,450</u>	<u>\$ 48,512,442</u>	<u>\$ 38,017,595</u>

Costs of buildings in the amount of \$11,017,201 (1974 — \$8,300,539) were transferred to income producing properties during the year. Included in the costs are carrying charges and expenses capitalized

in the amount of \$627,177 (1974 — \$292,557) representing mortgage interest, real estate taxes, an appropriate portion of general and administrative expenses, less rental revenue.

6. Income Properties Under Development

	1975		1974	
	Costs to December 31	Estimated Additional Costs to Complete	Costs to December 31	Estimated Additional Costs to Complete
Residential	\$ 11,126,368	\$ 2,900,000	\$ 9,502,722	\$ 5,047,000
Commercial	—	—	4,003,546	1,000,000
	<u>\$ 11,126,368</u>	<u>\$ 2,900,000</u>	<u>\$ 13,506,268</u>	<u>\$ 6,047,000</u>

The arranged financing, which had not been received at December 31, 1975, was sufficient to provide for the additional costs to complete the above projects.

7. Investments

Investments consist of:

	1975	1974
Investment in shares and income debenture and advances to —		
50% owned companies	\$ 809,044	\$ 964,703
Partly owned unincorporated joint ventures	619,151	435,600
Non-interest bearing notes receivable from		
50% owned company, due — December 31, 1978	150,000	150,000
— on demand	132,400	91,200
	<u>\$ 1,710,595</u>	<u>\$ 1,641,503</u>

The Company's portion of current year's losses from 50% owned companies amounted to \$415,686 (1974 — \$12,404). Cumulative earnings (losses) to December 31, 1975 amounted to (\$335,542) (1974 — \$80,144).

The Company's portion of current year's earnings from partly owned unincorporated joint ventures amounted to \$176,739 (1974 — \$49,643). Cumulative earnings to December 31, 1975 amounted to \$247,688 (1974 — \$70,949).

The total cost of share investments in 50% owned companies at December 31, 1975 amounted to \$199,805 (1974 — \$199,805) which was \$78,638 in excess of net book value and it is not the Company's intention to amortize this excess.

Arkton Corporation Limited, owned jointly with Ronyx Corporation Limited of Hamilton, Ontario, reported a deficit of \$1,050,674 at December 31, 1975. The deficit is the result of a loss for the period

ended December 31, 1974 of \$160,736 and a loss for the year ended December 31, 1975 of \$889,938. The Company has accounted for its investment in Arkton Corporation Limited on the equity basis and, accordingly, the current year's share of losses of 50% owned companies includes the Company's 50% interest in the current year's loss in the amount of \$444,969 (1974 — \$80,368).

In addition, the Company is presently negotiating the disposal of its 50% interest in Arkton Corporation Limited. In management's opinion, the Company will be unable to realize its net investment in Arkton Corporation Limited at December 31, 1975. Accordingly, a provision of \$350,000 has been recorded as an extraordinary item on the statement of earnings to provide for the anticipated loss on disposal of the Company's investment in shares and income debenture of Arkton Corporation Limited.

8. Operating Equipment

These assets consist of automotive, office, plant and heavy equipment valued at cost less accumulated depreciation of \$749,020 (1974 — \$355,742).

9. Bank Advances

The Company's bank advances are secured by a general assignment of book debts, a collateral specific debenture covering certain income producing properties and certain land held for future development, and a collateral floating charge debenture on the assets of the Company.

10. Estimated Liability to Complete Land Under Development

Estimated liability to complete land under development represents the remaining estimated servicing and development costs to be incurred in fulfilling the Company's obligations under various subdivision agreements.

11. Mortgages on Land Held for Future Development, Income Producing Properties and Income Properties Under Development

Principal repayments due under the mortgage terms over the following five years are as follows:

	Land Held For Future Development	Income Producing Properties and Income Properties Under Development
1976	\$ 750,828	\$ 910,059
1977	1,450,947	712,273
1978	846,441	738,974
1979	993,998	771,270
1980	461,326	1,247,141
Previous year's current principal portion	670,461	4,631,059
Weighted average interest rate	7.9%	9.3%

It has been the policy of the Company to negotiate the renewal of mortgages on its income producing properties as they mature.

12. Capital Stock

The Company established a share option plan in 1970 in which 40,000 common shares of the Company were reserved for allotment. To December 31, 1975, 23,000 options have been granted of which 18,400 have been exercised and 3,600 have expired. One fifth of the options granted must be exercised each

year. During the year, 1,800 shares were issued at prices of \$2.30 and \$3.75 per share amounting to a total cash consideration of \$4,720. If all remaining unexpired options were to be exercised, the dilutive effect on the earnings per share would be immaterial.

13. Interest On Long-Term Debt

Interest incurred on long-term debt during the year amounted to \$5,216,927 (1974 — \$3,424,520) of which \$4,099,470 (1974 — \$2,861,262) has been

included in the statement of earnings and \$1,117,457 (1974 — \$563,258) has been capitalized.

14. Remuneration to Directors and Senior Officers

The aggregate remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company numbering nine persons for the year ended December 31, 1975

amounted to \$278,284 (1974 — \$281,243), which amount includes \$8,000 in directors' fees (1974 — \$8,000).

15. Contingent Liabilities and Commitments

- (i) The Company has guaranteed bank advances and other indebtedness of its 50% owned companies and its partly owned unincorporated joint ventures totalling \$8,142,000, of which \$8,007,000 is secured by real property held in the 50% owned companies and the partly owned unincorporated joint ventures.
- (ii) The Company is contingently liable for outstanding letters of credit in favour of certain municipalities totalling \$929,000 at December 31, 1975. The letters of credit are issued to guarantee the Company's performance of land servicing under the terms of various subdivision agreements, the cost of which has been provided for in the financial statements within the estimated liability to complete land under development. In addition, the Company has indemnified a bonding

company to the extent of \$150,000 in respect of a performance bond issued in support of land servicing to be performed by one of its partly owned unincorporated joint ventures.

- (iii) The Company is liable for future minimum annual lease payments in respect of an income producing property and certain land upon which the Company has constructed an income producing property as follows:

1976 to 1992	\$ 81,600
1993 to 2021	51,600
2022	14,000

It is anticipated the annual minimum lease payments will be recovered through rental income generated from these income producing properties.

16. Anti-Inflation Act

- (i) The Company is subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975.
- (ii) The impact of this legislation on the Company's profit margins and prices relating to housing and land operations is not subject to satisfactory determination at this time because of uncertainties respecting the application of certain provisions and definitions contained in the Act and Regulations.
- (iii) In management's opinion, the Company's compensation arrangements are within the guidelines established under the Act and Regulations.
- (iv) Under the legislation it appears that the Company can neither declare nor pay any dividends in excess of \$377,105 during the period from January 1, 1976 to October 13, 1976.
- (v) The rental operations of the Company are not subject to the provisions of the Anti-Inflation Act and Regulations, however the residential rental operations are subject to Ontario Rent Controls as set out in note 17.

17. Ontario Rent Controls

The Company is subject to the provisions of the Ontario Residential Premises Rent Review Act, 1975 in respect of rental income derived from residential rental assets. In management's opinion, any refunds

of rents to tenants which may result from decisions of the Ontario Rent Review Board would not have a significant effect on these financial statements.

18. Comparative Figures

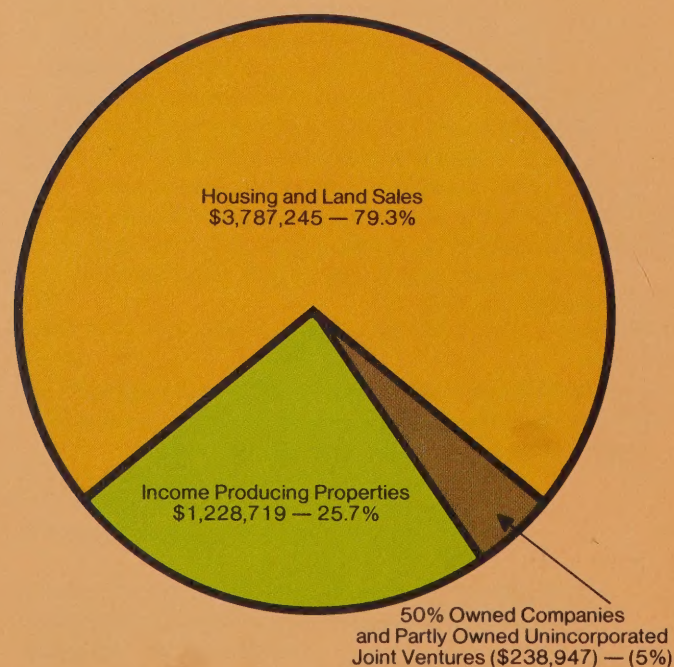
Certain figures contained in the consolidated financial statements relating to the year ended December 31, 1974 have been reclassified for comparative purposes.

Five Year Financial Review

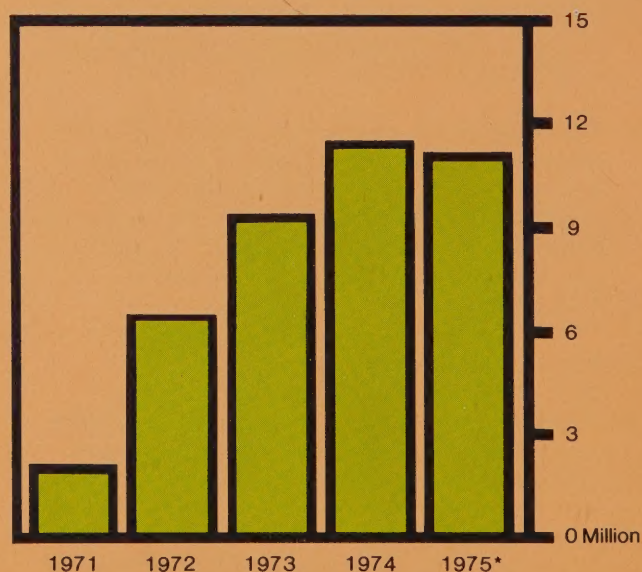
(in thousands of dollars)

	1975	1974	1973	1972	1971
Total Assets	\$ 94,354	\$ 82,267	\$ 51,087	\$ 40,908	\$ 28,435
Land Held For Future Development	11,326	11,752	9,380	6,487	2,188
Income Producing Properties	48,512	38,018	26,968	19,256	13,226
Long-Term Debt On Income Producing Properties	42,616	36,792	25,350	18,354	11,166
Shareholders' Equity	9,240	7,656	6,270	5,098	4,302
Total Revenue	28,847	22,758	17,926	11,692	6,461
Revenue From Housing and Land Sales	20,275	16,148	13,680	8,642	4,432
Revenue From Income Producing Properties	8,572	6,610	4,246	3,050	2,029
Share of Earnings (Losses) of 50% Owned Companies and Partly Owned Unincorporated Joint Ventures	(239)	37	61	22	—
Earnings Before Extraordinary Item	2,072	1,508	1,242	821	500
Net Earnings For The Year	1,722	1,508	1,242	821	500
Funds Provided From Operations	5,278	4,161	2,502	1,745	1,107
Per Common Share On Average					
Shares Outstanding (in \$):					
Earnings Before Extraordinary Item	1.46	1.07	.88	.58	.36
Net Earnings For The Year	1.21	1.07	.88	.58	.36
Dividends	.10	.09	.06	.04	—
Shareholders' Equity On Shares					
Outstanding At End Of Year	6.51	5.40	4.43	3.62	3.06
Common Shares:					
Outstanding At End Of Year	1,418,400	1,416,600	1,415,000	1,409,800	1,404,600
Average Outstanding During The Year	1,417,650	1,415,567	1,412,066	1,407,533	1,403,500

Earnings Before Taxes



Land Held For Future Development



*The Company now controls 2958 acres.

Officers

W. Mowbray Sifton
Chairman of the Board

Kenneth R. Good
President

Ronald D. Bedard
Vice-President,
Marketing and General Manager

Harold F. Durkee
Vice-President,
Administration and Finance
and Secretary-Treasurer

Subsidiary Companies — 100% Owned

Altec Buildings Limited
Hugh F. Drogemuller — Manager

Dynamo Servicing (London) Inc.
A. John Glinavs — President
Verne C. Higgs — Vice-President

The Lakewood Golf Club, Limited
Orest Spooner — Manager

W-G Construction Limited

Berkshire Village Limited

50% Owned Companies

Arkton Corporation Limited

Sifco Investments Limited

Sutherland Properties Limited

Unincorporated Joint Ventures

Block B, Plan 932
For The City of London, Ontario — 50%

Simcoe area joint ventures — 33⅓%

Managers

George E. Avola
Berkshire Village Townhouses

Larry R. Broadley
Stone Road Mall

C. Donald Chamberlain
Shopping Centres Division

Carole D. Cole
Secretarial Group

Dennis M. Dalton, C.A.
Controller

Harold E. Haines
Brantford Division

Ronald F. Hill
Sarnia Corunna Housing

William C. MacDougall
Office & Industrial Rental Division

Campbell B. MacKenzie
Condominium Conversions

J. Barry McIlwaine, R.I.A.
Data Processing

Frederick A. Ouseley
Whitehills Housing

Kenneth E. Romanuk
Commercial Construction Division

Glen R. Sifton
Simcoe Nanticoke Division
Guelph Division

Mario J. Sfalcin
London Condominiums

Margaret B. Strong
Westmount Townhouses

George L. Swan
London Apartment Buildings

Robert S. Trumper
Westmount Housing

Warren Wolfenden
Assistant to the Vice-President,
Marketing and General Manager

